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*Mary Louise Garrison*

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FORM 04-06/PAID UP  
COMPASS BANK

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## OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this day of **November 17, 2010**, between **Farmers National Company Agent for Compass Bank, Trustee of the Family Trust created under L/W of Margaret Sluyter, fbo Brenda J. Sluyter, dated April 4, 1990**, whose address is 5110 South Yale, Suite 400, Tulsa, OK 74135 (hereinafter called "Lessor," whether one or more), and **Chesapeake Exploration LLC.**, whose address is P. O. Box 18496, Oklahoma City, OK 73154-0496 (hereinafter called "Lessee"),

## WITNESSETH:

1. That Lessor, in consideration of Ten Dollars (\$10.00) and other valuable consideration in hand paid, of the royalties herein provided and of the agreements of Lessee hereinafter contained, hereby grants, leases and lets unto Lessee for the sole purpose of exploring, drilling, operating for and producing oil, liquid hydrocarbons, gas and their respective constituent products, and of laying pipelines, storing oil, building tanks (but not tank farms), power stations, telephone lines, roads and other structures thereon necessary to produce, save, care for, treat, store and transport said products from the land leased hereunder only, the following described land situated in **Tarrant County, Texas** to-wit:

26.209 acres, more or less, situated in the William Hayman Survey, A-642, and being more particularly described by metes and bounds in that Judgment from the State of Texas, as Plaintiff, and Dr. Leon Hodges, Trustee, et al, as Defendants, filed for record February 12, 1974, Volume 5595, Page 980, Deed Records, Tarrant County, Texas.

For purposes of calculating any delay rental or shut-in royalty payments herein provided for, said land is estimated to contain 26.209 acres, whether it actually contains more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of **three (3) years** from this date (called "primary term") and as long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is produced in paying quantities from said land, or land with which said land is pooled as herein permitted.

3. The royalties to be paid by Lessee to Lessor are:

(a) On oil and other liquid hydrocarbons, **twenty-five percent (25%)** of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor, free of all costs of production or delivery, into the pipeline to which the wells may be connected; provided however, that Lessee may from time to time purchase any royalty oil or other liquid hydrocarbons in Lessee's possession, paying the market price therefor prevailing on the date same is produced and run to the pipeline or storage tank therefor in the field where produced, or if there is no market price there prevailing, in the nearest field in which there is a market price on such date for oil or other liquid hydrocarbons, such price to be appropriately adjusted for any differences in grade, gravity and other physical properties. Notwithstanding the above, in no event shall Lessor's royalty on oil or other liquid hydrocarbons be based on a price less than the total value of the consideration received by Lessee, or by any company or other entity with which Lessee is affiliated, by stock ownership or otherwise, from any sale or other disposition of such hydrocarbons.

(b) On gas, including casinghead gas, residue gas or other gaseous substances, produced from said land and sold, or used off the premises (other than gas processed at a plant as described in paragraph 3(d) hereof), the market value at the point of sale or use of **twenty-five percent (25%)** of the gas so sold or used, but in no event shall the Lessor's royalty be based on an amount less than the total value of the consideration received from any sale or other disposition of such gas by Lessee, or by any company or other entity with which Lessee is affiliated, by stock ownership or otherwise. It is expressly understood and agreed that Lessee shall not in any event sell or contract for sale of gas for less than the market value of such gas determined at the point of sale as of the date such gas is delivered; provided, however, that for purposes hereof any contract entered into by Lessee (other than with any company or other entity with which Lessee is affiliated, by stock ownership or otherwise) for the sale of such gas shall be deemed to be a sale of the gas at the market value at the point of sale to the extent that either such contract provides for redetermination of the purchase price of the gas not less often than annually during the term of such contract based upon the market value at the point of sale of gas prevailing on such redetermination date, or such contract has been approved in writing by Lessor. It is agreed that Lessor's approval of any such gas sale contract shall not be deemed or construed to have been given by Lessor's execution of any division order or transfer order describing or referring to any gas sale contract.

(c) If the gas from any well situated on this lease should be sufficiently impregnated with gasoline, condensate or other liquid hydrocarbons in suspension such that paying quantities of such gasoline, condensate or other product can be separated from said gas and liquefied as a practical lease operation by the installation by Lessee of traps, separators or other devices ordinarily used in the industry for such purpose on the lease, then Lessee agrees and shall be obligated to install upon the lease such device or devices to the end that so much of said gasoline, condensate or other products as can be separated through such devices before marketing be recovered and Lessor shall receive its royalty as specified in paragraph 3(a) on the gasoline, condensate or other liquefied products recovered on the lease in such manner, together with its royalty on residue gas in the amount and determined as provided in paragraph 3(b) or 3(d) hereof, as applicable.

(d) If gas or casinghead gas or separated gas resulting from field separation produced from the land subject to this lease is processed by or for the account of Lessee (or any company or other entity with which Lessee is affiliated, by stock ownership or otherwise) for the recovery of liquid hydrocarbons therefrom in a gas processing, absorption, stripping or similar plant, then in lieu of royalties provided in paragraph 3(b), a royalty of **twenty-five percent (25%)** of the market value at the plant tailgate of all liquid hydrocarbons recovered and saved in such plant and attributable to gas produced from the said land, less **twenty-five percent (25%)** of the reasonable direct costs (excluding amortization and depreciation on pipeline and plant investment and direct overhead associated therewith and excluding royalties paid on gas used and costs of delivery and compression of gas required to process gas at such plant) of processing such gas in the plant for the recovery of such liquid hydrocarbons, plus a royalty on residue gas resulting from such plant operation attributable to gas produced from said land and plus royalty paid on gas produced from said land and used in processing gas at such plant in the amount and

determined as provided in paragraph 3(b) hereof.

(e) Lessee shall at all times use such care as a reasonable and prudent operator would use under the same or similar circumstances in conducting drilling and producing activities covered by this lease, as to land covered by this lease or that may be pooled therewith as herein permitted, and in making filings and applications to governmental regulatory bodies having jurisdiction over such land and production therefrom, in order to assure to the extent reasonably possible that all production from such premises, in Lessee's judgment exercised in good faith, will result in the highest lawful price being paid for such production, so as to maximize Lessor's royalty.

(f) The royalties provided in this paragraph 3 shall be determined and delivered to Lessor free of any development, production, compression, processing, treating, gathering, transportation, delivery, marketing, or other post-production costs beyond the wellhead (other than as provided in paragraph 3(d) hereof), excepting however taxes of any character applicable to Lessor's share of production that are paid by Lessee. However, any such costs which result in enhancing the value of the marketable oil, gas, or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. This paragraph 3(f) is not surplusage, but shall govern over all other royalty provisions of this lease.

(g) If at any time, after the expiration of the primary term, Lessee shall have completed a well or wells on the above described premises (or on land with which the said premises or any part thereof may be pooled) which well or wells are capable of producing gas in paying quantities but are shut-in, with the result that gas is not produced and sold or used, Lessee may pay as royalty to Lessor for each such shut-in well on or before the expiration of ninety (90) days after (i) the date of completion of such gas well as evidenced by the well completion report filed with the appropriate state or other governmental regulatory agency or commission having jurisdiction, or (ii) the date such gas ceases to be sold or used, as the case may be, an amount equal to Twenty-Five Dollars (\$25.00) per acre of land covered by this lease which shall be attributed to the producing unit upon which the well or wells are located, and upon making such payment it will be considered that each such well is producing gas in paying quantities within the meaning of this lease for a period of one (1) year after the expiration of said ninety (90) day period. In like manner and upon like payments being made annually on or before the expiration of the last preceding year for which such payment or tender has been made, it will be considered that said well or wells are producing gas in paying quantities for successive periods of one (1) year each; provided, however, that this lease may not be maintained in force solely by payment of shut-in gas well royalty for any well under this paragraph for more than two (2) consecutive years after the effective date of the first such payment, or for shorter periods at various intervals not to exceed in the aggregate three (3) years in all.

(h) Accounting and payment to Lessor of royalties from production of oil and gas as herein provided shall commence no later than one hundred twenty (120) days after the date of first production. Thereafter, unless otherwise specifically provided herein, all accountings and payments of royalties shall be made on or before the last day of the calendar month following the calendar month in which the production of oil and other liquid hydrocarbons occurred, or of the second calendar month following the calendar month in which the production of gas occurred, or such earlier date as may be provided by law. Unless otherwise herein expressly provided, any royalties or other payments provided for in this lease that are suspended or not paid to Lessor within the time period specified therefor shall accrue interest at the highest rate permitted by law from due date until paid; provided, that Lessee may withhold royalty payable to any royalty owner hereunder, unless such owner requests otherwise, until such royalty exceeds \$100.00, or production ceases, but in no event shall royalty be paid less often than once per calendar year. Acceptance by Lessor, its successors, agents or assigns, of royalties that are past due shall not act as a waiver or estoppel of its right to receive or recover any and all interest due thereon under the provisions hereof, unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor of a sum less than the total amount due to Lessor hereunder which is made or intended to be made as an offer of settlement or accord by or on behalf of Lessee, its agents, successors or assigns, must be accompanied by a Notice of Settlement Offer, so denominated, addressed to between Farmers National Company Agent for Compass Bank, Trustee of the trust created under LW of Margaret Sluyter, fbo Brenda J. Sluyter, dated April 4, 1990, whose address is 5110 South Yale, Suite 400, Tulsa, OK 74135, or such other address as shall be specified by written notice to Lessee. Any such offer of settlement submitted solely by the tender of a check containing language of settlement or accord printed or otherwise inserted thereon shall not be deemed an offer of settlement or accord, unless preceded or accompanied by such a Notice of Settlement Offer. Notwithstanding anything to the contrary contained in this lease, if Lessee should fail to pay any royalties on production of oil or gas (excluding any shut-in royalties or other optional payment provided in this lease) within the time period specified above, Lessor may give Lessee written notice of such default in payment of royalties and Lessee shall have ten (10) days after receipt of such notice to pay to Lessor all royalties then due and owing plus interest on such past-due amounts as hereinabove provided. If full payment (including interest) has not been received by Lessor within the ten (10) day period after notice, Lessor may ipso facto terminate this lease and evict Lessee forthwith; provided, however, that if Lessee should assert by written notice to Lessor within the ten (10) day period that a good faith, bona fide dispute exists, based on an attorney's written opinion which is included with Lessee's notice. Both parties agree to use their best efforts to resolve the dispute, and Lessee agrees that if the dispute is resolved in favor of Lessor the Lessor shall be entitled to earn interest on the disputed amount at 6% annually.

4. This lease is a "paid-up" lease, not providing for delay rentals to cover the privilege of deferring commencement of operations for drilling during the primary term. Any bonus or cash down payment hereunder is consideration for this lease and shall not be allocated as mere rental for a period. Lessee may at any time execute, file in the proper public records and deliver to Lessor a release or releases covering any portion or portions of said land, and thereby surrender this lease as to such portion or portions and be relieved of all obligations not theretofore accrued as to the acreage surrendered.

5. Lessee is hereby granted the right to pool or consolidate the land covered by this lease or any part or parts thereof as to any strata or any stratum, with any other land, lease or leases, or any part or parts thereof as to any strata or stratum, in the immediate vicinity thereof for the production of oil and gas, or either of them, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said leased premises or to promote the conservation of oil or gas in and under and that may be produced therefrom. Pooling in one or more instances shall not exhaust the rights of Lessee hereunder to pool this lease or portions thereof into other or different units. Units pooled or consolidated for oil or gas hereunder shall not exceed the number of acres specified for producing units set forth in paragraph 6(d) of this lease; provided, that if any Federal or state law, or any order, rule or regulation of any governmental authority having jurisdiction shall prescribe or permit a spacing pattern for the development of the field or allocate a producing allowable for each such unit, in whole or in part based on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or permitted or as may be used in such allocation or allowable. A unit formed for an oil well or a gas well for a horizontal completion may conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24 hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal

completion" means a well that meets the definition of a "horizontal drainhole well" under Statewide Rules of the Railroad Commission of Texas, and a "vertical well" is a well that is not a horizontal well. For each such unit, Lessee shall file a written unit designation in the county in which the premises are located, which unit designation shall specify any depth limitations, and shall forthwith forward to Lessor a copy of such unit designation, together with a plat thereof, including the legal description of the unit and of the portion of the leased premises included therein. Any such unit may be designated either before or after the completion of any well or wells. Drilling or reworking operations or production on any part of the pooled acreage shall be treated for all purposes hereof as if such drilling or reworking operations are upon, or such production is from, the land described in this lease included within such pooled unit, whether or not the well or wells be located on land covered by this lease. In the event of such pooling, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of Lessor's acreage placed in the unit or its royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved. Anything in this lease to the contrary notwithstanding, in the event only a part or parts of the land covered by this lease is pooled or consolidated with other land or lands, operations on or production from such pooled unit or units shall maintain this lease in force only as to the land covered hereby which is included in such unit or units and, following expiration of the primary term of this lease, only as to Retained Depths under the provisions of paragraph 6(d) hereof. This lease may be maintained in force as to any land covered hereby, and not included in such pooled unit or units, in any manner provided for in this lease.

Any pooled unit created as authorized by this lease may at any time, and from time to time, be reduced, enlarged, amended, modified or dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the lease premises are situated, effective as provided therein or upon filing for record if no effective date is provided therein; provided that no such unit may be reduced, enlarged, modified or amended as to the acreage committed thereto, nor be dissolved, as to any reservoir covered thereby as to which oil, gas or other mineral is being produced or capable of being produced in paying quantities, at any time (a) after the date of first production for sale or use by Lessee of such oil, gas or other mineral for a purpose requiring payment of royalty hereunder and (b) prior to cessation of production or of capability of production of such oil, gas or other mineral in paying quantities; and provided further, notwithstanding the foregoing provisions, that if a determination should be made by any judicial or regulatory authority that any pooled unit created by Lessee hereunder were improperly designated due to the inclusion or exclusion of any acreage or the pooling of more acreage than authorized by the provisions hereof, Lessee shall be afforded ninety (90) days after the date of final order by such authority, or the date of final disposition of administrative or judicial appeal or lapse of all parties' right to such appeal, whichever is the latest, in order to designate a new or revised unit not inconsistent with such judicial or regulatory determination and order and otherwise conforming to the pooling authority provided in this lease, if Lessee so elects, and this lease shall remain in force, as to any acreage being maintained in force in any manner immediately prior to such determination, during such ninety (90) day period and as long thereafter as maintained in force under the provisions of this lease.

6. Subject to other provisions of this lease with respect to drilling operations on and acreage held by this lease after the expiration of the primary term, the following provisions shall govern:

(a) In the event Lessee at any time drills a dry hole on said land and no oil, liquid hydrocarbons, gas or their respective constituent products (collectively referred to in this paragraph 6 as "oil or gas") is then being produced hereunder, or in the event all production of oil or gas from said land should at any time cease for any cause, this lease shall continue in effect thereafter for a period of ninety (90) days from abandonment of such dry hole or cessation of production and may be continued thereafter under the following conditions, to-wit:

(1) If Lessee commences drilling operations on said land within said ninety (90) day period, this lease shall continue in effect, subject to the provisions of subparagraph (d) hereof, as long as drilling operations are prosecuted with reasonable diligence and thereafter as long as oil or gas is produced in paying quantities hereunder; or

(b) If no oil or gas is being produced hereunder at the expiration of the primary term but Lessee is then engaged in drilling operations, or within the ninety (90) day period specified in subparagraph (a) above commences drilling operations, this lease shall continue in effect in the manner and for the time specified in subparagraph (d) hereof.

(c) The term "drilling operations" as used in this lease shall mean and include operations for drilling a well; reworking operations; and reconditioning, deepening, plugging back, cleaning out, repairing or testing of a well. For all purposes of this lease, drilling operations shall be deemed to be prosecuted with reasonable diligence when prosecuted without cessation of more than thirty (30) consecutive days or when no more than ninety (90) consecutive days elapse between the completion of all (or substantially all) operations at one well or location and the commencement of drilling operations at another well or location.

(d) Anything in this lease to the contrary notwithstanding, it is understood and agreed that this lease shall terminate at the expiration of the primary term as to all lands held under this lease at the expiration of the primary term, except for any producing tracts as described below, unless Lessee is then engaged in drilling operations on this lease or, within the ninety (90) day period preceding the expiration of the primary term, Lessee shall have completed or abandoned a well drilled on this lease. In either of such events, this lease shall continue in force, as to all lands held under this lease at the expiration of such primary term, only so long as Lessee is engaged in continuous drilling operations on said land. Drilling operations shall be deemed "continuous" if not more than ninety (90) days (commencing on the day of completion or abandonment in the case of a well completed or abandoned within the ninety (90) day period preceding the expiration of the primary term) elapse between the completion or abandonment of one well and the commencement of drilling operations for another well. At the expiration of the primary term, unless the continuous drilling provisions specified above in this subparagraph (d) shall then be applicable, or at such later date as Lessee shall fail to continuously drill this lease within the ninety (90) day time periods specified above for continuous drilling operations in effect at the end of the primary term, this lease shall terminate except as follows:

(1) If Lessee has completed a well on said land which is classified as an oil well by the appropriate state or other governmental regulatory agency or commission having jurisdiction and is producing, or capable of producing, oil in paying quantities, then this lease shall continue in effect as to a tract of forty (40) acres around each such well;

(2) If Lessee has completed a well on said land which is classified as a gas well by the appropriate state or other governmental regulatory agency or commission having jurisdiction and is producing, or capable of producing, gas in paying quantities, then this lease shall continue in effect as to a tract of six hundred forty (640) acres around each such well;

(3) If Lessee has completed a well on said land which is classified as a horizontal oil or gas well by the appropriate state or other governmental regulatory agency or commission having jurisdiction and is producing, or capable of producing oil and/or gas in paying quantities, the lease shall continue in effect as to the tract that conforms to a well spacing or density pattern that is prescribed or permitted by any governmental authority having jurisdiction to do so. In each case the acreage around such oil or gas well so held shall be limited to those depths from the surface of the earth down to one hundred (100) feet below the base of the deepest producing perforated interval (defined as "Retained Depths") as to each well from which production of oil, liquid hydrocarbons, gas or their respective constituent products is obtained by the unit well or wells;

provided, however, that in the event any Federal or state law, or any order, rule or regulation of any governmental regulatory agency or commission having jurisdiction prescribes or permits a spacing pattern for the development of the field, or allocates a producing allowable in whole or in part based on acreage per well, then any producing unit retained hereunder may include as much additional acreage as may be so prescribed or permitted or as may be used in such allocation or allowable.

Thereafter, the leasehold rights so to continue effective as to each such particular tract (that is, the applicable oil spacing unit or gas allowable unit, as the case may be) shall continue to be effective as to the particular tract as to Retained Depths so long and only so long as said tract as to Retained Depths continues to produce hereunder and so long thereafter as Lessee may be conducting operations on said particular tract with respect to Retained Depths to develop and/or restore production therefrom and with no cessation of such operations on a well or wells thereon for more than ninety (90) days until production from such tract as to Retained Depths is restored. Each such tract shall be selected by Lessee and shall be, as nearly as practicable, in the form of a square with the well by virtue of which same is held located in the center thereof, unless the tract is covered by a horizontal oil or gas well, in which event, the tract selected by the Lessee may conform to the lateral involved. It is the intention of the parties hereto that upon the termination of this lease down to producing tracts as to Retained Depths pursuant to this paragraph 6(d), each such tract containing a well producing or capable of producing oil or gas in paying quantities from Retained Depths, as provided in subsections (1) and (2) of this subparagraph (d), shall be treated as constituting a separate lease, and neither production from nor operations on any such tract as to Retained Depths shall maintain this lease in force as to any other tract and depths.

7. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land within 467 feet of the leased premises and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances or release the affected lands which are not included in a producing unit. If oil or gas is discovered on the land covered by this lease, or on land pooled therewith, Lessee agrees further to develop the land covered by this lease as a reasonable and prudent operator would under the same or similar circumstances.

8. Notwithstanding any provisions to the contrary contained in this lease, the following provisions of this paragraph shall apply only in the event Lessor, its successor or assigns owns all of any part of the surface estate in the leased premises (the following rights of Lessor to be in addition to, and not in lieu or in derogation of, the rights of any other partial owners of the surface estate):

(a) Lessor shall have the right to approve the type and location of all routes of ingress and egress and roads, and the location of all pipelines, drilling sites, production sites and any other operations conducted on the leased premises. Prior to conducting any operations upon the surface of the land covered hereby, Lessee shall furnish Lessor written notice stating the nature of such operations and designating that portion of such land to be used in connection therewith. Within ten (10) days after receipt of such notice, Lessor shall furnish Lessee notice of its approval or objections thereto. Approval by Lessor shall not be unreasonably withheld. Failure by Lessor to object within the time period stated shall be considered approval. Any proposed pipeline or other necessary easement will be submitted for approval to Lessor in the same manner heretofore described.

(b) Lessee shall backfill and level all pits or other excavations dug in connection with Lessee's operations hereunder, remove all drilling mud and restore the surface to the same condition in which it was found immediately prior to any use thereof, within sixty (60) days after the termination of the use thereof by Lessee. Lessee shall be responsible and shall pay to the owner of the surface or the surface lessee, as their interests may appear, for all damages to timber, grass, growing crops, livestock, water wells, fences, roads, buildings and other improvements, and personal property caused by Lessee's operations hereunder. Neither Lessee nor anyone on the leased premises with the permission or invitation of Lessee shall be permitted to hunt or fish, or carry firearms, on the premises.

(c) Any and all pipelines constructed on or across the leased premises shall be used for the sole purpose of, and shall not exceed the size necessary for, gathering and transporting oil, gas and any related constituent products thereof produced solely from the above described leased premises and any land pooled therewith. Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn on said land without Lessor's written consent.

(d) Lessee shall construct a fence (sufficient to turn cattle) around the location of each drillsite on the leased premises while drilling operations are being conducted, and Lessee shall maintain a cattle guard at the entrance of such fence. If Lessee completes any such well as a producer, then after Lessee has installed production facilities, Lessee shall construct and maintain a "hurricane" type fence around the facilities.

(e) Notwithstanding any other provisions of this lease to the contrary, in the event Lessor should determine, at any time or from time to time during the term of this lease, to sell or utilize all or any part of the surface of the leased premises for residential, commercial or industrial development or other similar surface development incompatible with the oil and gas exploration, development and production operations contemplated by this lease, Lessor shall so advise Lessee in writing, describing the leased premises or portions thereof to be sold or utilized for surface development. Within sixty (60) days after receipt of such notice by Lessee, the parties shall endeavor in good faith to agree on arrangements for multiple use of such premises to accommodate both surface development and oil and gas operations. Unless otherwise mutually agreed, such arrangements shall include the designation of (i) two (2) acre surface production sites around each well then producing or completed and shut-in on the leased premises, (ii) four (4) acre surface drilling sites for each well then drilling on the leased premises (iii) any four (4) acre surface drilling site for any well Lessee plans to drill and for each additional one hundred sixty (160) acres or portion thereof of the premises so described in Lessor's notice which have not been previously allocated to a proration unit for a producing or drilling well, each such four (4) acre surface drilling site to be reduced to a two (2) acre surface production site upon completion of drilling operations for any well located thereon, and (iv) appropriate easements not to exceed thirty (30) feet in width for access and pipelines to each such surface site, all in a manner reasonably acceptable to Lessor and consistent with the plans of Lessor for the subsequent sale or use of the surface of such premises. Such multiple use arrangements, including the designation of surface sites and easements, shall be determined, located and described as promptly as possible, but in no event later than sixty (60) days after Lessor's notice; Thereafter, Lessee shall strictly limit its surface operations for oil and gas on such premises to the location of the surface sites and easements so designated. Lessee shall also execute and deliver to Lessor, within thirty (30) days following the designation of the surface sites and easements as provided above, an appropriate surface waiver, in recordable form, as to all of the premises described in Lessor's original notice which are not included within such designated surface sites and easements. The failure by Lessee to execute and deliver such recordable surface waiver within the thirty (30) day period shall constitute a material breach of this lease and all rights under this lease to use the surface of the leased premises for oil and gas operations shall automatically terminate at the end of such thirty (30) day period, except for a two (2) acre surface production site around each well then producing, shut-in or drilling on the leased premises and appropriate access easements to be designated by Lessor. If necessary in Lessor's opinion to accommodate surface development, any existing easements for pipelines being utilized by Lessee on the premises may be relocated by Lessor, so long as Lessor agrees to pay all reasonable costs incurred for such relocation, and Lessor shall also have the right from time to time to designate alternate routes of ingress and egress to and

from the designated surface sites (which may be upon publicly dedicated rights-of-way), at Lessor's expense, in which event Lessee shall execute such instruments and documents as may be necessary to evidence the release by Lessee of its rights in and to all other easements and access routes for the particular surface sites.

(f) Lessee shall have free use of oil, gas and water from the leased premises, except water from Lessor's wells, tanks, ponds, lakes, rivers, streams or springs located on said land, for all operations hereunder conducted solely upon the leased premises; provided, that no surface water or underground fresh water will be used for waterflood or pressure maintenance operations. Lessee shall comply with applicable state and Federal regulations for disposition (by reinjection or otherwise) of salt water, brine or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the leased premises or any fresh water sands lying thereunder. Lessee shall have the right at any time within one hundred eighty (180) days after the expiration of this lease, provided Lessee is not in default hereunder, to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing except casing in water wells, and Lessee shall do nothing that will in any way damage any such water well or prevent its future use by Lessor. However, if Lessor so elects, Lessee agrees to remove the casing from and plug and abandon any such water well at Lessee's sole expense. If Lessor elects NOT to plug and abandon any such water well, Lessor agrees to accept the condition of such water well "as is" and to be responsible for the maintenance of such water well including the responsibility of plugging said water well.

In the event Lessor does not own any interest in the surface estate in the leased premises, Lessee shall nevertheless comply with any applicable restrictions, covenants or agreements relating to use of the surface that may be contained in any deed or other instrument appearing in Lessor's chain of title to the leased premises and shall hold Lessor harmless from any failure by Lessee to so comply.

9. This lease does not include and there is hereby excepted and reserved to Lessor all of the sulphur, coal, lignite, uranium and other fissionable materials, geothermal energy (including entrained methane, hydrostatic pressure and thermal energy), base and precious metals and any other mineral substances (excepting oil, liquid hydrocarbons, gas and their respective constituent products expressly covered under this lease) presently owned by Lessor in, under or upon the leased premises, together with rights of ingress and egress and use of the leased premises by Lessor and its lessees, licensees and assignees, for purposes of exploration for and production of the minerals reserved herein to Lessor. Lessor and Lessee shall each conduct their respective operations on the leased premises so as not unreasonably to interfere with the operations or activities of the other.

10. Lessee's right to drill a well or wells for the purpose of exploring for and producing oil and gas shall be exclusive under the terms of this lease as to depths covered hereby; however, Lessee's exploration rights shall otherwise be non-exclusive as to depths not covered by this lease, such that Lessor may exercise or may lease or license to other parties such other exploration rights, including but not limited to aerial surveys and geophysical surveys using seismography, gravity meters, magnetometers, electrical testing and geochemical testing. In exercising Lessor's other exploration rights as to depths covered by this lease, and in exercising Lessor's exploration and other rights as to depths not covered by this lease, Lessor and its lessees, licensees and assignees shall do nothing unreasonably to interfere with the leasehold rights of Lessee under the provisions of this lease. Lessee and its assignees shall likewise use all reasonable efforts so as not to interfere with such rights of Lessor, its lessees, licensees and assignees.

11. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of the parties hereto; provided, however, that any such assignment by Lessee other than to officers and/or affiliates of Lessee, shall require the prior written consent of Lessor, which consent shall not unreasonably be withheld. If any assignment is made of this lease, or any portion thereof, the assignee(s) shall within thirty (30) days after the date of such assignment notify Lessor in writing of the name and current address of the assignee(s), which notice shall also include a copy of each recorded assignment, so as to identify the lease and property involved and the interest assigned. No change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, nor shall any such change or division be binding upon Lessee for any purpose until the person acquiring any interest has furnished Lessee with the recorded instrument(s), or copy thereof, constituting his change of title from Lessor. In the event of an assignment of this lease to a segregated portion of said land, the delay rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area owned by each. If Lessee or any assignee of a segregated part or parts hereof shall fail or make default in the payment of the proportionate part of the delay rentals due from such Lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease insofar as it covers any part of said lands upon which Lessee or any assignee thereof shall make payment of said delay rental and comply with all other provisions hereof.

12. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder (other than any covenant or agreement which relates to the payment of money) due to force majeure. The term "force majeure" as employed herein shall mean any act of God, including but not limited to storms, floods, washouts, landslides, and lightning. This lease is expressly made subject to, and Lessee in its operations hereunder shall comply with applicable requirements of, all Federal and state laws, and rules and regulations of any governmental authority, state or Federal, having jurisdiction in the premises, and nothing herein contained shall be construed as requiring Lessee to violate any such laws, rules or regulations or to penalize Lessee for complying therewith. If Lessee is required, ordered or directed by any Federal or state law, or any order, rule or regulation of governmental authority to cease drilling, reworking or producing operations on the land covered by this lease, or if Lessee by force majeure is prevented from conducting such operations, then until such time as such law, order, rule, regulation or force majeure is terminated, and for a period of sixty (60) days after such termination, each and every provision of this lease or implied covenant arising thereunder that might operate to terminate this lease or the estate conveyed by it (other than any covenant or agreement which relates to the payment of money) shall be suspended and inoperative and this lease shall continue in full force and effect; provided, however, that in no event shall the term hereof be so extended for a period of more than two (2) years solely by reason of this paragraph.

13. Whether or not Lessee is subject to requirements of paragraph 8 hereof (where Lessor owns an interest in the surface estate), Lessee shall notify Lessor in writing of the location of all wells to be drilled upon the leased premises, or on any land pooled therewith, and give Lessor written notice of any proposed entry for any type of drilling, geophysical or other operations, not later than ten (10) days prior to commencement of any such operations, and shall advise Lessor in writing of the date of completion and/or abandonment of each such well within thirty (30) days after completion or abandonment. Lessee agrees from time to time to furnish Lessor, or its authorized representatives, upon request of Lessor, full and complete information hereafter acquired by Lessee with respect to:

(a) all operations on the leased premises and the production of oil, liquid hydrocarbons, gas and their respective constituent products therefrom, including but not limited to samples of all cores, results of drillstem tests, and electrical and other well logs thereof that may be in Lessee's possession, and



(b) information regarding the sale of oil, liquid hydrocarbons, gas and their respective constituent products hereunder to the extent that such information is pertinent to the calculation of royalty payments as provided herein on an annual basis.

During the term of this lease Lessor and its authorized representatives shall at all times have full right of ingress and egress to the leased premises for the purpose of inspecting drilling or producing operations and for any and all other purposes which Lessor may consider necessary or advisable. Lessor and its representatives shall also have the right at Lessee's offices during regular business hours on an annual basis to inspect, examine and make copies of and extracts from such of Lessee's books, records, accounts, contracts, commitments and agreements as relate to the leased premises, and land pooled therewith, operations thereon or production therefrom (including, without limitation, the information referred to above).

14. Lessor hereby warrants and agrees to defend the title to said land against any claims arising by, through and under Lessor, but not otherwise. Without limiting the foregoing, if Lessor's interest in the minerals covered by this lease in, on and under the above-described land is less than the undivided fee simple estate to the entirety thereof, then Lessor agrees that the royalties and delay rentals provided for in this lease shall be paid to Lessor in the proportion which Lessor's interest bears to the entire and undivided fee simple estate therein. Lessee at its option may discharge any tax lien upon Lessor's interest in the land covered by this lease (unless such tax lien is being contested in good faith by Lessor by appropriate proceedings instituted for such purpose) and, in the event Lessee does so, Lessee shall have the right to apply delay rentals and royalties hereunder to reimburse such payment.

15. Lessee assumes all risk and liability of any kind and nature incident to or resulting in any manner from Lessee's operations hereunder, except that occasioned by Lessor's own negligence; agrees to keep the leased premises duly and fully protected against liens of every character arising in connection with, or resulting from, said operations; and agrees to indemnify and hold Lessor harmless from and against any and all liens and claims of any kind for damages occasioned by, or on account of, said operations and against any and all claims for property damage, personal injury or death sustained by any person or persons whomsoever, natural or corporate, in connection with, or resulting from Lessee's operations hereunder, and whether or not involving active or passive negligence on the part of Lessee or its agents, contractors or employees.

16. The provisions contained in paragraph 5 hereof regarding acreage covered by this lease which shall be held by drilling operations on or production from any pooled unit or units shall not be altered or amended by any pooling, unitization or like agreement or instrument, or any amendment thereto or ratification or acknowledgment thereof, unless same shall be specifically designated as an amendment of paragraph 5 of this lease. It is further agreed that neither this lease nor any terms or provisions herein shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, its successors, agents or assigns, but that any division orders or transfer orders shall be solely for the purpose of confirming the extent of Lessor's interest in production of oil and gas from the herein described premises, or any lands pooled therewith. Any amendment, alteration, extension or ratification of this lease or of any terms or provisions of this lease shall be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of the lease affected and the proposed change or modification thereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force or effect.

17. Lessee shall be obligated to notify Lessor of any litigation, regulatory proceeding or administrative hearing brought against Lessee which concerns the leasehold in any way and, additionally, Lessee shall be obligated to notify Lessor of Lessee's intent to bring litigation against a third party, or to request a regulatory proceeding or administrative hearing in an effort to protect the leasehold from a loss for any reason.

18. Any notice or other communication permitted or required under the terms hereof shall be in writing and, unless otherwise specified, be deemed properly given on the date personally delivered or on the date postmarked if mailed, postage prepaid United States mail, addressed to Lessor or Lessee at the address set forth at the commencement of this lease, or to such other address as may hereafter be designated by either party to the other by notice. Notice given in other manner shall be effective only if and when received.

19. Upon expiration or termination of this lease for any reason as to all or any portion of the leased premises, Lessee shall be obligated at its expense to prepare, execute and file in the public records in the county in which such land or portion thereof is located an appropriate release instrument covering all or such portion (surface and applicable depths) of said land as to which this lease has expired, within sixty (60) days after receipt of written request by Lessor, and promptly to forward to Lessor a copy of same as so recorded. The parties agree that appropriate liquidated damages to Lessor for Lessee's failure timely to release expired leasehold rights shall be \$10.00 per day so long as such default may continue, provided, that such damages shall not limit Lessor's remedies as may be otherwise provided by law.

20. Any use of contrasting text in this agreement is solely to identify differences herein from the provisions of Lessor's standard lease form, and shall not be construed so as to affect the substantive rights of the parties hereto.

21. Lessor hereby retains a security interest in (and Lessee grants Lessor a security interest in) **"as extracted" minerals including** all of its proportionate part of the oil, gas and other hydrocarbons produced and saved from the Leased Premises which have not been sold to a bona fide third party purchaser or otherwise subject to the provisions herein regarding payment of royalties under this Lease and Lessor's respective royalty part of any and all proceeds of sale of such oil, gas and other hydrocarbons and insofar as the payment of all royalties due and payable hereunder, this Lease shall be construed as a Security Agreement. **Lessee, in addition, grants Lessor a security interest in all "as extracted" minerals attributed to Lessee's working interest.** In the event of a "Bankruptcy" filing, the payment of such royalties shall be deemed to be secured and Lessor treated as a secured and priority creditor. Nothing herein contained, however, is intended or shall be construed to prevent the sale, shipment and removal on any production from the Premises in the usual course of business, nor to prevent the removal of tools, machinery, equipment or other property at any time when Lessee is not in default hereunder. This lien shall not apply to production sold to third parties when payment to Lessor has or is being made pursuant to the provisions of this Lease.

The above reservation by Lessor of the security interest in the Collateral shall be a first and prior lien insofar as the Collateral, and Lessee hereby agrees to maintain the priority of said security interest against all persons. All parties acquiring an interest in the lease and/or personal property covered by this Security agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken such interest subject to the security interest in the Collateral as reserved herein. The addresses of Lessor as Secured Party, and of Lessee, as Debtor, are set forth on page 1 of this Lease.

The parties hereto agree that the provision of this paragraph 21 shall be a part of the Memorandum of Lease, and when such memorandum is recorded in the Official Records in the County or Counties where the land covered hereby is

located, this and the memorandum thereof shall be effective as a filed financing statement.

22. Lessee expressly indemnifies and agrees to hold Lessor harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses, fines, penalties and claims of any kind suffered by or asserted against Lessor as a result of the presence in, upon or under, or the escape, leakage, spillage, discharge or release from or upon the lands, leases and water subject hereto by Lessee or anyone else or from the presence of any hazardous material, pollutant or contaminant under any federal, state or local law, in, upon, or under such lands or waters or transportation or disposal of any such material to any location resulting from operations conducted by Lessee, its assigns, designees or subcontractors. Lessee shall also hold Lessor harmless from and against any liability arising out of violations of the Clear Water Act, Federal Water Pollution Control Act, Safe Drinking Water Act, Coastal Zone Management Act and any other Acts and/or Orders, or any permit issued by the U. S. Corps of Engineers, or any other federal, state or other regulatory agency having jurisdiction thereof. Upon written request of Lessor, Lessee agrees to furnish to Lessor a Hazardous Waste Report or Study in writing, from a reputable company customarily performing such environmental studies, showing that the portion of the leased property upon which any drilling or production operations were previously conducted hereunder is free and clear of any hazardous waste or pollution which would be in violation of any applicable environmental laws then in existence and affecting the leased property. Such Hazardous Waste Report shall be furnished within six (6) months following the date of the termination of drilling and production activities as to any location upon which such activities were conducted. Such report shall not be required to be furnished if reworking activities are commenced within the times permitted in this Lease, but, if such reworking activities are not successful in reestablishing production, then lessee shall be obligated to furnish such report within six (6) months following the termination of such reworking activity.

23. Any notice to Lessee to be sent; Attention Henry Hood.

IN WITNESS WHEREOF, this instrument is executed in one instrument or in counterpart originals, to be effective on the date first above written.

LESSOR:

Farmers National Company Agent for Compass Bank,  
Trustee of the Family Trust created under L/W of Margaret  
Sluyter, fbo Brenda J. Sluyter, dated April 4, 1990,

  
David L. Smith, Vice President

STATE OF OKLAHOMA §

COUNTY OF TULSA §

This instrument was acknowledged before me on 25<sup>th</sup> of January, 2011, by David L. Smith, Vice President of Farmers National Company, Agent for Compass Bank on behalf of said Company for the purposes and consideration therein expressed and in the capacities therein stated.

  
Notary Public in and for the State of Oklahoma

Notary's Printed Name: Barbara L. Gray

My commission expires: 7-28-2013

My Commission No.: on stamp